



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS

Internal Audit Section



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August 11, 2010

Laura Taylor, Comptroller
Regional Chamber & Growth Association
1 Metropolitan Square
St. Louis, MO 63102

RE: Workforce Investment Act (WIA) (Project #2010-SLATE7)

Dear Ms. Taylor:

Enclosed is a report of the fiscal monitoring review of the Regional Chamber & Growth Association, a not-for-profit organization, WIA Program, for the period July 1, 2009 through March 31, 2010. The scope of a fiscal monitoring review is less than an audit, and as such, we do not express an opinion on the financial operations of the Regional Chamber & Growth Association. Fieldwork was completed on July 28, 2010.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and through an agreement with the St. Louis Agency on Training and Employment to provide fiscal monitoring to all grant sub-recipients.

If you have any questions, please contact the Internal Audit Section at (314) 622-4723.

Sincerely,

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: Michael Holmes, Executive Director, SLATE
Kim Neske, Fiscal Manager, SLATE
James E. Balls, II, President

CITY OF ST. LOUIS
ST. LOUIS AGENCY ON TRAINING AND EMPLOYMENT (SLATE)
WORKFORCE INVESTMENT ACT (WIA)
REGIONAL CHAMBER AND GROWTH ASSOCIATION
FISCAL MONITORING REVIEW
JULY 1, 2009 THROUGH MARCH 30, 2010

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INTRODUCTION

Background

Contract Name: Regional Chamber & Growth Association (RCGA)

Contract Number: 121-10

CFDA Number: 17.258, 17.259, and 17.260

Contract Period: July 1, 2009 through March 31, 2010

Contract Amount: \$250,000

The contract provided Workforce Investment Act (WIA) funds to RCGA (Agency) to retaining and re-engaging skilled workers who have been displaced and improving their access to the education and training resources needed to help them re-skill from the post-recession economy.

Purpose

The purpose of the review was to determine the Agency's compliance with federal, state and local St. Louis Agency on Training and Employment (SLATE) requirements for the period July 1, 2009 through March 31, 2010, and make recommendations for improvements as considered necessary.

Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the grant administered by SLATE. Evidence was tested supporting the reports the Agency submitted to SLATE and other procedures were performed as considered necessary. Fieldwork was completed on July 28, 2010.

Exit Conference

The Agency was offered the opportunity for an exit conference on July 30, 2010, but the Agency declined.

Management's Responses

The management's responses to the observations and recommendations identified in the draft report were received from the Agency on August 10, 2010. These responses have been incorporated into this report.

SUMMARY OF OBSERVATIONS

Conclusion

The Agency did not fully comply with federal, state and local SLATE requirements.

Status of Prior Observations

The Agency did not have a previous fiscal monitoring report since they are a first-time recipient of SLATE funds.

A-133 Status

According to a letter received from the Agency, it did not expend \$500,000 or more in federal funds in its fiscal year ended June 30, 2008, and was not required to have an A-133 audit.

Summary of Current Observations

Recommendations were made for the following observations, which if implemented, could assist the Agency in fully complying with federal, state, and local SLATE requirements.

1. Opportunity to follow federal procurement and suspension and debarment guidelines
2. Opportunity to improve the appearance of a conflict of interest

**DETAILED OBSERVATIONS, RECOMMENDATIONS
AND MANAGEMENT'S RESPONSES**

1. Opportunity To Follow Federal Procurement and Suspension and Debarment Guidelines

The Agency contracted the entire grant program to a third party subcontractor without verifying the suspension and debarment status of the subcontractor. For audit compliance purposes, IAS performed a search on the EPLS website, and it was determined that the subcontractor was not suspended or debarred.

Section I of the A-133 Compliance Supplement requires non-federal entities that enter into contracts for goods or services using federal grant funds to verify that the entity is not suspended or debarred from receiving federal funds.

Agency management stated that they were unaware of the suspension and debarment requirement.

Contracting services, using federal funds, with entities that have been suspended or debarred from receiving federal awards may result in questioned costs and/or possible termination of the grant.

Recommendation

It is recommended that the Agency verify the suspension and debarment status of all subcontractors performing services with federal funds prior to entering into a contract.

Management's Response

Management concurs with this observation and will follow these guidelines going forward prior to entering into a contract.

2. Opportunity To Improve The Appearance Of A Conflict Of Interest

The Mayor of the City of St. Louis is a member of the Board of the Estimate & Apportionment and also a Board Member for RCGA. An appearance of a conflict of interest is present because the member in question is in a position to directly participate in, provide information for, and influence the decisions of the Agency's Board, as well as be directly involved in the funding of the Agency. Additionally, it was noted that on April 7, 2010, the Agency was notified that its original budget for the current contract of \$250,000 was going to be increased by \$130,000 or 52% and extended seven months to January 31, 2011.

Sound business practices require any person who is an agent, consultant, officer, elected official or appointed official of the recipient (City of St. Louis) or of any designated public Agencies or sub-recipients, and is also a member of the Board of Directors for an Operating Agency receiving grant funds from their district, to sign a conflict of interest statement that includes verbiage stating the official will not take part in any vote in his/her official capacity that would adversely affect or benefit the serving organization.

The Agency's By-Laws require the Mayor of the City of St. Louis to be an ex-officio member of the Board of Directors.

The city official that is on the Board of Directors plays a key role in the decision-making process regarding federal funding allocation. Having such an authoritative member on the Agency's board gives the appearance that the Agency has an unfair advantage in competing for those federal funds.

Recommendation

It is recommended that the Agency include verbiage in their conflict of interest statement that the city official will not take part in any vote in his/her official capacity that would adversely affect or benefit the serving organization.

Management's Response

Management does not concur with this observation as the Mayor of the City of St. Louis is an ex-officio member of our board and therefore does not have voting rights. Because he does not have voting rights, there is no conflict of interest. We will continue to use our current Conflict of Interest statement.